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DEPT FOR EUR/AGS, INR/EU, AND EUR/PPD FOR YVETTE SAINT-ANDRE

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SUBJECT: AUSTRIAN MEDIA HIGHLIGHTS: March 12, 2007

Coalition Conflict About Inheritance Tax

1. The conflict in the governing SPOe/OeVP coalition about the inheritance tax, which the Constitutional Court judged to be unconstitutional, last week, is escalating. On Sunday, Chancellor Alfred Gusenbauer expressly rejected the OeVP proposal to abolish the tax altogether. Rather, he wants to solve the controversial issue within a comprehensive tax reform. The OeVP wants to discuss the inheritance tax in a party leadership meeting on Monday and has already indicated that it is not prepared to compromise on the matter. If the current regulations on inheritance tax are not repaired until July 2008, the tax will automatically be abolished, according to the Court.

According to independent daily "Der Standard," the Chancellor is bent on learning from the Minister of Finance how the missing tax - a sum of about 250 million euros - is to be made up for. In the ORF "Pressestunde," Gusenbauer referred to the option preferred by Federal President Heinz Fischer of "repairing the inheritance tax in a way that is fairer from a social point of view and in addition, in conformity with the constitution. However, the Chancellor would rather settle the inheritance tax issue in the process of a general tax reduction scheme which will relieve middle-range incomes. The OeVP, on the other hand, argues that the inheritance tax is primarily a burden for those with lower and medium incomes. In an analysis of the current controversy, "Der Standard" points to the probability of the OeVP gaining the upper hand. Most Austrians are opposed to the inheritance tax - and that includes medium and lower-income taxpayers as well. This puts pressure on the SPOe.

Mysterious Terror Threats

2. Despite the publication of a video in which Islamists threaten Austria and Germany with terror attacks if they refuse to withdraw their soldiers from Afghanistan, the Austrian authorities do not believe in an imminent threat to security in this country. Representatives of the Ministries of the Interior, European and International Affairs and Defense as well as Chancellor Gusenbauer asserted on Sunday that the threat is nevertheless taken seriously and its background investigated. Meanwhile, experts are trying to clarify the identities and motives of the originators of the internet video. Some of them suspect that the alleged terrorists could merely be copycats trying to spread fear and panic. The recent terror threats do not just aim at the Austrian engagement in Afghanistan, but also contain references to domestic issues, writes mass circulation tabloid "Neue Kronenzeitung": In the video where Austria is called on to withdraw its soldiers from the country, the alleged terror messengers specify that "the money which you now spend on Bush and his people, you can then use for the

students to whom you have given promises which you then broke" - an obvious allusion to the study fees. Austrian Chancellor Gusenbauer pointed out the oddity of the fact that the threat was directed to Austria, which has only 4 soldiers in Afghanistan and Germany, which has 3,000 troops there. "Neue Kronenzeitung" refers to the possibility that the originators of the video might be former students with a Viennese past.

EU Commits to More Climate Protection

13. The outcome of the EU summit on climate change on Friday is equivalent to a far-reaching change of course in the EU. The Union has agreed on an ambitious package of measures on climate protection that goes beyond the Kyoto goals. Until 2020, there are to be 20 percent less emissions than measured in 1990. The climate goals mark a turning point in EU policy and demonstrate that the Union is prepared to take a leading role in global efforts to reduce harmful CO2 emissions. At the same time, they demonstrate the limits of the free market.

Independent daily "Salzburger Nachrichten" points out that there is no easy solution and that many small steps have to follow the big step that was taken in Brussels by the European states. In particular, the burden-sharing among the individual states will take a major effort. EU Chair Angela Merkel had to bend to European reality, which means that summits tend to be concluded with a rather soft compromise that is just about bearable for the different countries. However, at least the Chancellor had the courage to meet the challenge rather than try and simply get by during Germany's EU presidency, analyzes "Salzburger Nachrichten." The idea of environmental protection as economic opportunity, a more environmentally friendly Europe that is aware of its own strengths - this may not be the grand design, but the direction is right, writes the daily.

Chirac Will Not Run For Third Term

14. France's President Jacques Chirac will not run for office again - this is the gist of an announcement he made in an emotional TV address last night. In his last big TV appearance, the outgoing President warned his citizens never to fall for extremism, racism and anti-Semitism. Also, he praised the "French model" and urged for a continuation of the European process, pointing out the damage that nationalism had done to the continent in the past. His speech contained no reference in support of his party's candidate for the upcoming election, conservative hardliner Nicolas Sarkozy. Chirac's TV appearance was largely seen as a last chance for him to present his political legacy, writes mass circulation daily "Kurier." He spent 42 years in French politics, 12 of which as President and is all in all a man of contradictions. The daily refers to his decided aversion against economic liberalism, which was shared by many French, as was his opposition to US President Bush's Iraq war campaign. He showed courage during the Bosnian war when he ordered his troops to stop the Serbian militia. He repeatedly came forward against discrimination of France's migrant youth, even if the measures his government took in this respect were insufficient. On the other side, there is much to criticize: Chirac's extravagant style, his tendency to give promises that he never could keep or even intended to keep, and the lack of thorough reforms due to his inability to push through his political agenda.

IAEA Boss Goes to Pyongyang

15. Mohammed ElBaradei, head of the IAEA has embarked on a trip to isolationist nuclear power North Korea. On the invitation of North Korea's dictator Kim Jong-Il, ElBaradei will soon arrive in the country's capital for talks on its controversial nuclear program and the details of its planned dismantling. ElBaradei has few illusions about the effect of his visit - he judges the de-nuclearization of the poor country to be a "complex, step-by-step process," but also points out that North Korea's decision to re-admit the IAEA inspectors to the country is a "historic" move on the part of the regime.

Bush's Difficulties in His Backyard

16. US President George W. Bush's Latin American trip is characterized by protests of the local citizens. Already at his first stop in Brazil, the President was greeted by tens of thousands

of demonstrators. In Colombia, where Bush arrived on Sunday, the demonstration escalated: American flags were burned, windows of bank buildings were smashed and shops were ransacked. Two demonstrators and four policemen were injured, 120 demonstrators were arrested. Bush has meanwhile proceeded to Guatemala where he is to meet with President Oscar Berger. Protests are expected to take place there, too.

Centrist daily "Die Presse" comments that it was probably high time for the US President to embark on an image tour in Latin America, but then goes on to point out what many observers believe - that Bush's tour is an inadequate attempt to stop the influence of Venezuela's President Hugo Chavez on the subcontinent. Bush vs. Chavez - this is an ideological, political and economic divide where the various Latin American states are forced to take sides: For market economy, free trade and representative democracy, or for the socialist-authoritarian model. The controversial Venezuelan President, for all his provocations and fierce rhetoric, could have benefited Latin America indirectly: By forcing Washington to pay more attention to its backyard, which it had neglected since 9/11.

McCaw